

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI
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AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

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PLEASE PASS TO USBURMINES, USGS

E.O. 11652: N/A (DECLASSIFY UPON RECEIPT)
TAGS: EMIN, IN, BEXP, IR, FR, UR
SUBJECT: PROPOSED EAST COAST ALUMINA PLANTS

REF: (A) NEW DELHI 18720, DEC. 30, 1976, (B) MEMCONS, JUNE 9,
NOV. 30 AND DEC. 21, 1976 TO USDOC, (C) NEW DELHI A-150,
MAY 21, 1976

1. ALTHOUGH WE HAVE REPORTED ON A NUMBER OF OCCASIONS THE GOI'S
INTENTIONS TO ESTABLISH TWO EXPORT-ORIENTED ALUMINA PLANTS ON
THE EAST COAST AND MORE RECENTLY THE GOI'S INTEREST IN FINDING
SUITABLE FOREIGN TECHNOLOGY TO ASSIST IN THIS VENTURE, THE
EMBASSY HAS RECEIVED LITTLE INDICATION TO DATE OF POSSIBLE
INTEREST BY US FIRMS.

2. AS FAR AS U.S. FIRMS ARE CONCERNED, THE LATEST INFORMATION
WE HAVE IS THAT REYNOLDS METALS SENT A REPRESENTATIVE TO VISIT
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BHARAT ALUMINUM CO. (BALCO) IN NOV. 1976, BUT BALCO HAS
YET TO RECEIVE ANY WORD FROM REYNOLDS AS A RESULT OF THIS VISIT.

3. WHILE THE PROSPECTS OF AND FINANCIAL COMMITMENT BY IRAN
TO THIS PROJECT APPEARS BLEAK AT THIS JUNCTURE (IN FACT WE
HAVE BEEN TOLD THAT THE IRANIANS HAVE RECENTLY POSTPONED A
RETURN TRIP TO DISCUSS THIS MATTER), THE USSR AND FRANCE BOTH

APPEAR TO BE STILL IN THE RUNNING. THE PECHINEY UGINE KUHLMANN GROUP (PUK) OF FRANCE HAS ONLY RECENTLY CONCLUDED ANOTHER ROUND OF TALKS WITH BALCO. ASIDE FROM BEING ONE OF THE WORLD'S LEADING ALUMINUM PRODUCERS, PUK IS KNOWN TO HAVE DEVELOPED A PROCESS FOR EXTRACTING ALUMINA FROM LOW GRADE BAUXITE ORE AND ALSO TO HAVE COME UP WITH AN ENERGY CONSERVATION MEASURE IN ALUMINUM MANUFACTURING, BOTH OF WHICH LOOK ATTRACTIVE TO THE GOI. IN ADDITION, PUK HAS RECENTLY CONCLUDED AN AGREEMENT

WITH THE USSR TO CONSTRUCT A ONE MILLION METRIC TON ALUMINA PLANT ON THE BLACK SEA COAST BASED ON IMPORTED BAUXITE FROM GUINEA, CONTAINING 45-48 PERCENT ALUMINUM OXIDE (A12O3) TO MEET THE USSR'S SHORTFALL IN ALUMINA REQUIREMENTS. PUK HAS REPORTEDLY NOW ENTERED INTO PRELIMINARY TALKS WITH THE USSR WITH REGARD TO DEVELOPING A SMELTER.

4. USSR SUPPORT IN ESTABLISHING ONE OF THE ALUMINA PLANTS IS STILL UNDER NEGOTIATIONS, BUT WE HAVE THE IMPRESSION THAT THE GOI IS OPTIMISTIC THAT SOME AGREEMENT WILL BE REACHED WHEREBY THE USSR WOULD ASSIST IN FINANCING ONE OF THESE PLANTS IN EXCHANGE FOR ALUMINA. SUCH A DEAL MIGHT WELL BE LINKED TO A LARGER TRADE PACKAGE, INCLUDING CRUDE SUPPLIES TO INDIA IN EXCHANGE FOR PIG IRON, TO BE WORKED OUT OVER THE COMING WEEKS.

5. VAW OF WEST GERMANY AND MONTE EDISON OF ITALY HAVE ALSO EXPRESSED INTEREST IN THIS PROJECT. IT IS DOUBTFUL, HOWEVER, THAT THEY WILL BECOME INVOLVED SINCE NEITHER HAVE THE POTENTIAL MARKETS AND THE LATTER IS ALREADY IN COLLABORATION WITH MADRAS ALUMINUM COMPACB JP EMALCO). AS REPORTED EARLIER, IT IS OUR LIMITED OFFICIAL USE

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UNDERSTANDING THAT THE GOI WOULD PREFER A TIE-UP WITH A MAJOR ALUMINUM PRODUCER WHICH HAS NO COLLABORATION IN INDIA.

6. MEANWHILE, HINDUSTAN ALUMINUM CORPORATION LTD. (HINDALCO), WHICH HAS A COLLABORATION WITH KAISER (US), HAS RECENTLY APPLIED TO THE GOI FOR AN INDUSTRIAL LICENSE TO ESTABLISH A 200,000 MT PER ANNUM ALUMINUM COMPLEX IN ANDHRA PRADESH. THIS WOULD RULE OUT KAISER'S PARTICIPATION IN THE PROPOSED EAST COAST PLANTS, ALTHOUGH WE UNDERSTAND THAT HINDALCO'S APPLICATION IS STILL PENDING WITH THE MONOPOLY RESTRICTIVE TRADE PRACTICES COMMISSION FOR CLEARANCE BECAUSE HINDALCO BELONGS TO ONE OF THE LARGEST INDUSTRIAL GROUPS, I.E., BIRLAS

7. BALCO HAS ALSO EXPRESSED INTEREST IN FOREIGN TECHNOLOGY THAT MIGHT DEVELOP A CHEMICAL COMPLEX BASED ON THE BY-PRODUCTS OF A 120,000 TON PER ANNUM CAUSTIC SODA PLANT WHICH WILL BE REQUIRED TO SUPPORT THE TWO ALUMINA PLANTS.

8. AS FAR AS THE TIME SCHEDULE GOES, BALCO IS STILL LOOKING

FOR THE PROJECT TO BE COMMISSIONED IN EARLY 1981. THEREFORE, THE PLANNING AND CONSTRUCTION OF THE INFRASTRUCTURE FACILITIES, INCLUDING RAILWAYS, ROADS, WATER AND POWER, WOULD HAVE TO BE TAKEN UP SOON AFTER THE SELECTION OF THE PLANT SITES. SEVERAL SITES HAVE BEEN PROPOSED BY METALLURGICAL & ENGINEERING CONSULTANTS LTD. (MECON), CONSULTANTS TO BALCO ON THIS PROJECT. THE TENDERING AND AWARD OF CONTRACTS WOULD HOPEFULLY TAKE PLACE DURING THE LATTER PART OF THIS YEAR. IN THE MEANTIME, DETAILED EXPLORATION OF THE BAUXITE DEPOSITS CONTINUES.

9. ACTION REQUESTED: WE WOULD APPRECIATE USDOC CONTACTING THE FOLLOWING U.S. FIRMS CONCERNING THE GOI'S PROPOSAL AND APPRISING THE EMBASSY ASAP OF THEIR LIKELY INTEREST. THESE INCLUDE REYNOLDS, ORMET CORP., ANACONDA CORP. AND MARTIN MARIETTA ALUMINUM, INC. WE UNDERSTAND ALCOA HAS EXPRESSED NO INTEREST, BUT WE WOULD APPRECIATE CONFIRMATION TO THIS EFFECT. AS REPORTED EARLIER, THE GOI WOULD OBVIOUSLY PREFER SOME TIE-UP LIMITED OFFICIAL USE

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WITH A MAJOR ALUMINUM PRODUCER FOR THE KNOW-HOW/MARKET LINKAGE, BUT THIS DOES NOT NECESSARILY PRECLUDE OTHER COMPANIES, WHICH POSSESS ONLY THE TECHNOLOGY, FROM CONTACTING THE GOI ON THIS PROJECT. THE CHEMICAL COMPLEX IS AN ADDED ATTRACTION WHICH U.S. FIRMS SHOULD ALSO BE MADE AWARE OF. SCHNEIDER

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